

# City of Idaho Springs

August 16, 2021

City Council Meeting

Presented by Andrew Rheem, Raftelis



# AGENDA

- 2021 update overview
- Financial plan overview
- Projected 2021 through 2030 Water and Wastewater Fund Results
  - › Base Case
  - › Results Under Potential Dedicated Sales Tax Ballot Question Scenarios
- Bi-Monthly Bill Comparisons
- Questions and Discussion





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# 2021 Update

- Review and update 2021 through 2030 financial plans for water and wastewater funds
- Proposed water and wastewater rates for service for 2022
  - › This will be presented later in 2021
    - Direction on potential Nov. 2021 Sales tax ballot initiative
    - 2020 audit



# Potential Sales Tax Ballot Initiative

- Evaluate potential sales tax ballot initiatives (1)
  - › 1.00% dedicated to w/ww
  - › 0.50% dedicated to w/ww
  - › 0.25% dedicated to w/ww
- Evaluate split between water and wastewater
  - › 25% water, 75% wastewater projected
- Considerations
  - › Sales tax is not eligible for debt service coverage test
  - › Enterprise Fund status will be lost
    - Voter approval will be required for future water or sewer debt issuances

 (1) 0.75% sales tax is not included in the evaluation, but would be between 1.0% and 0.5%

# Water and Wastewater Financial Plan



# Prudent Utility Financial Planning

- Revenue sufficient to maintain the financial stability of the separate water and wastewater funds and:
  - › Fund annual O&M expenses, debt service payments and capital improvements and other requirements
  - › Exceed annual debt service coverage ratio targets with adequate revenues
    - Target is 140% of annual debt service for total existing and proposed loans
  - › Exceed annual operating and capital reserve targets with adequate reserves
    - 20% of O&M
    - Contingency of \$75,000 (water) and \$50,000 (wastewater)
    - Next year's debt service (existing and proposed)



# Financial Performance Requirement - Annual Debt Service Coverage

- Debt service coverage ratio:

$$\frac{(Revenues - O\&M \text{ expenses})}{\text{Annual debt service}}$$

- Legal requirement is 110% of annual debt service
  - › Loan covenants of existing loans applicable to combined water and wastewater enterprise fund
- Financial planning target is 140% of annual debt service
  - › Provides flexibility when revenues are below projected and/or O&M expenses exceed budget





# Required and Adopted City Reserve Policies

- Outstanding utility debt requires cash reserves
  - › Operating Reserve required minimum of 90 days (25%) of O&M expenses
- Adopted City policies for water and wastewater utility funds
  - › Target of 72 days (20%) of O&M expenses PLUS
  - › Budgeted contingency PLUS
    - \$75,000 for water and \$50,000 for wastewater
  - › Next year's debt service



# Current (2021) Rate Structure

Description	Water	Sewer
Bi-Monthly Base Rate 1 (1) (2)	\$74.40	\$52.74
Bi-Monthly Base Rate 2 (1) (2)	114.45	105.47
<b>Volume Charge per 1,000 gallons (3)</b>		
0 – 10,000 gallons	\$4.75	\$5.70
10,001 – 30,000 gallons	5.95	5.70
Over 30,000 gallons	7.13	5.70
Commercial – Low Strength (3)	7.96	7.67
Commercial – Medium Strength (3)	7.96	13.61
Commercial – High Strength (3)	7.96	20.42
Municipal (3)	9.74	7.67

(1) Water base per EQR. Multi-family is 1.0 EQR for the 1<sup>st</sup> dwelling unit and 0.9 EQRs for each additional dwelling unit.

(2) Base rate 1 applies to residential and base rate 2 applies to non-residential customers.

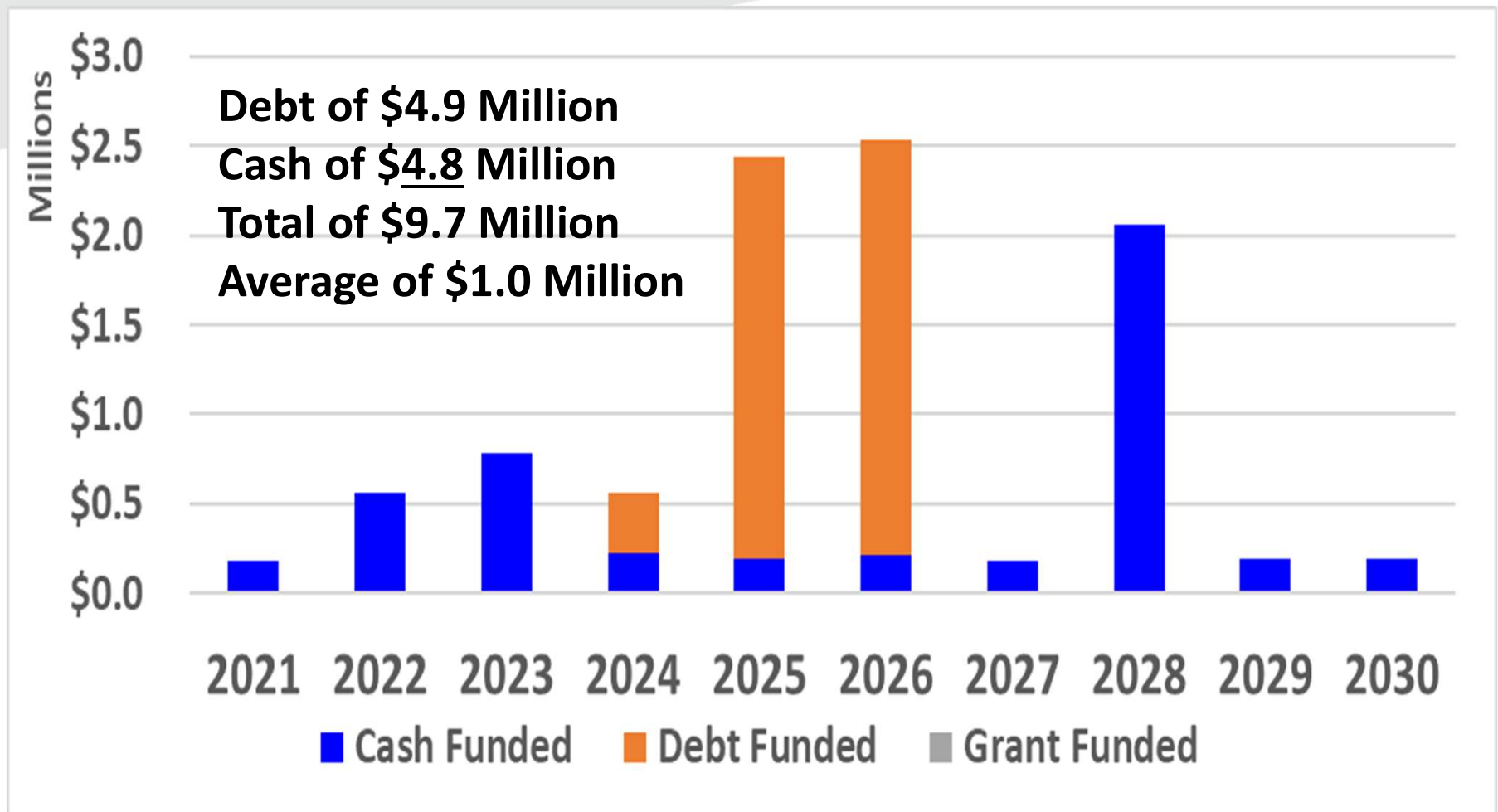
(3) Avg. water use during Nov – Apr. Other months based on lessor of actual or average of Nov – Apr period use.



# Water Fund Financial Plan and Rates



# Water Fund Capital Projects (Inflated \$'S)

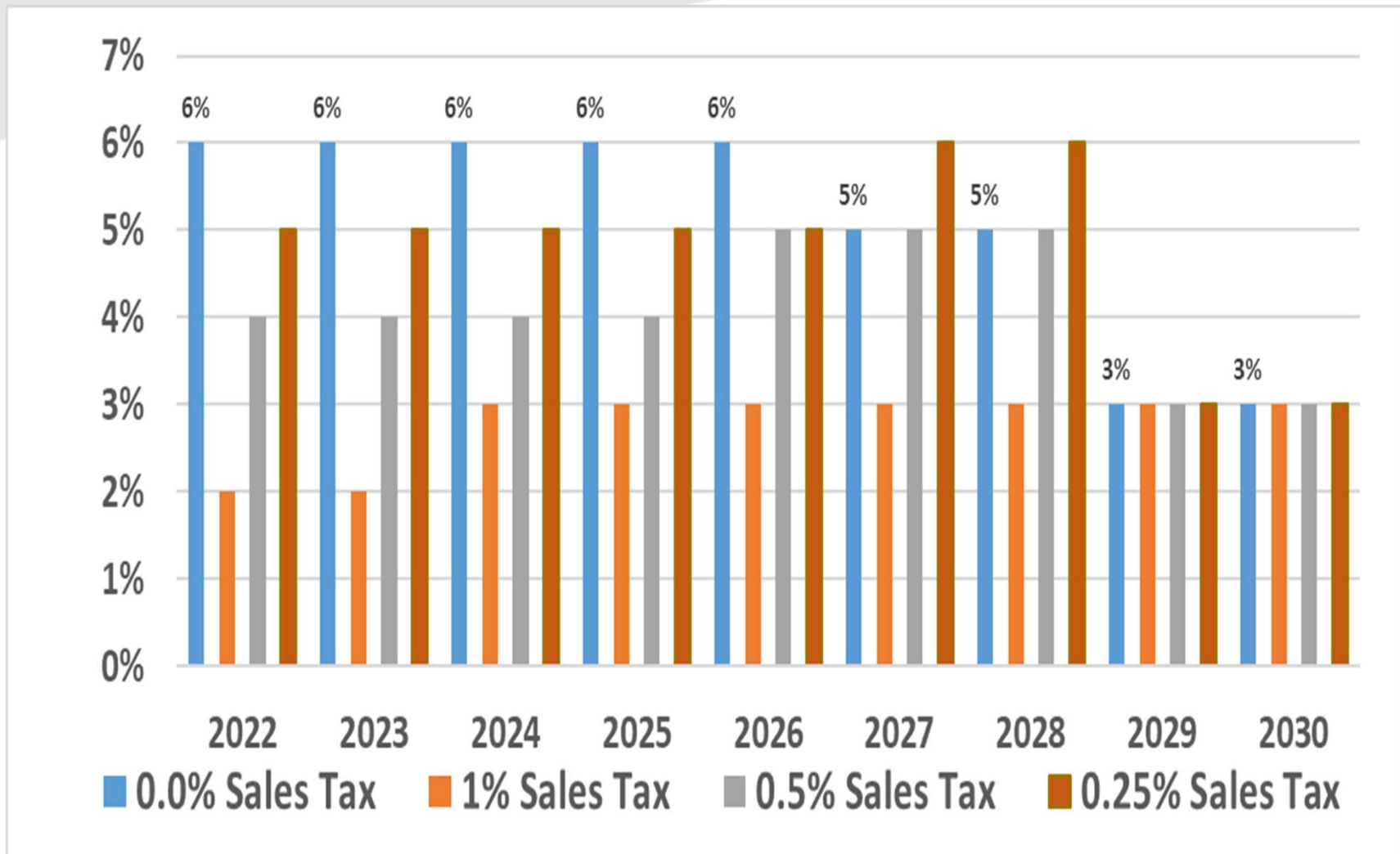


## Water CIP (Inflated) External Debt Funded Projects

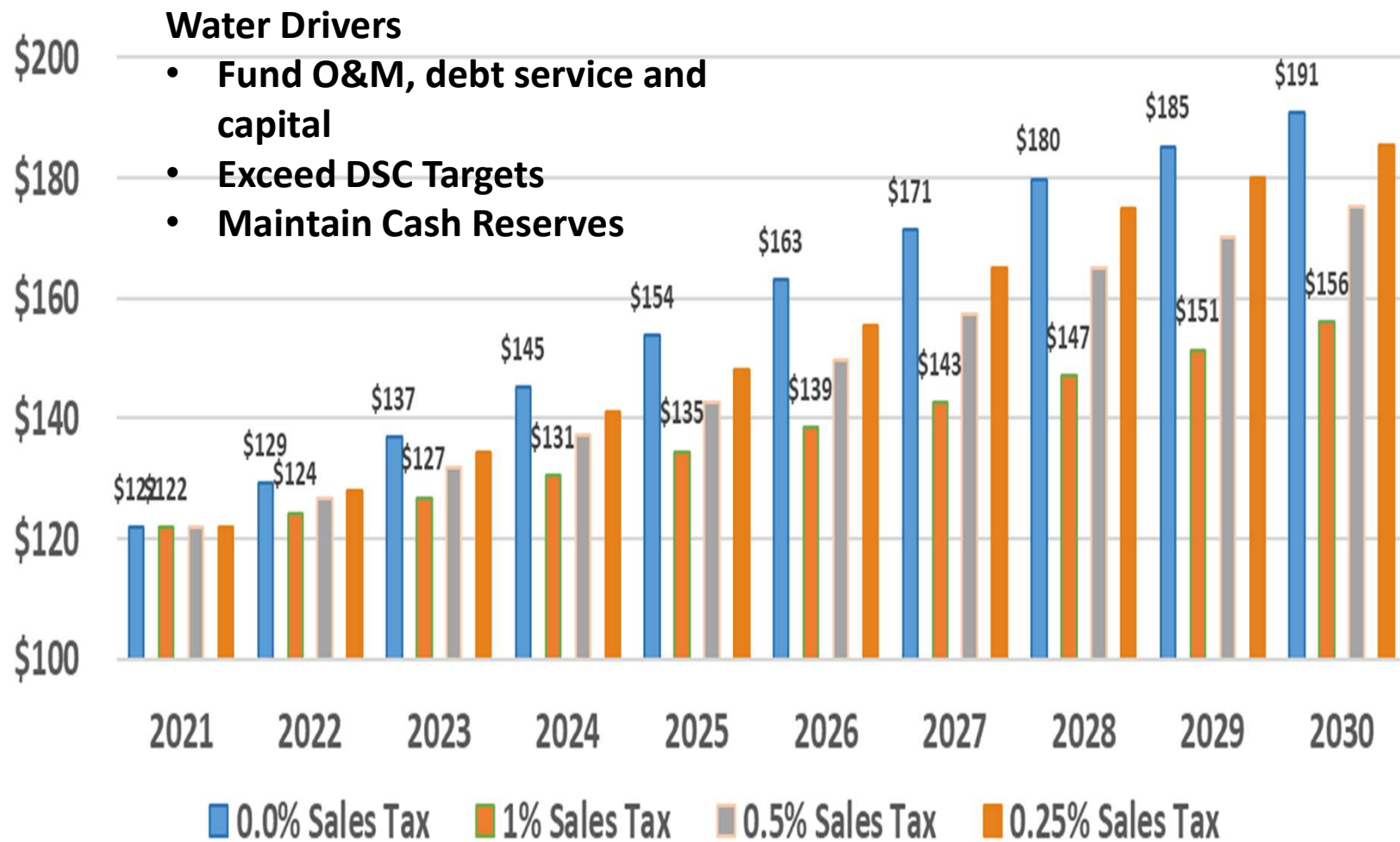
- WTP Filter Replacements \$390,000 (2021 – 2023)
- WTP Access Road \$130,000 (2022)
- Sedimentation Tank \$425,000 (2023)
- Highway 103 water line \$4.9M (2024 – 2026)
- Water Line Repairs \$1.1M (2021 – 2030)
- WTP Carbon Filters \$1.9M (2028)



# Water Rate Revenue Increases



# Water Bills Compared (1)



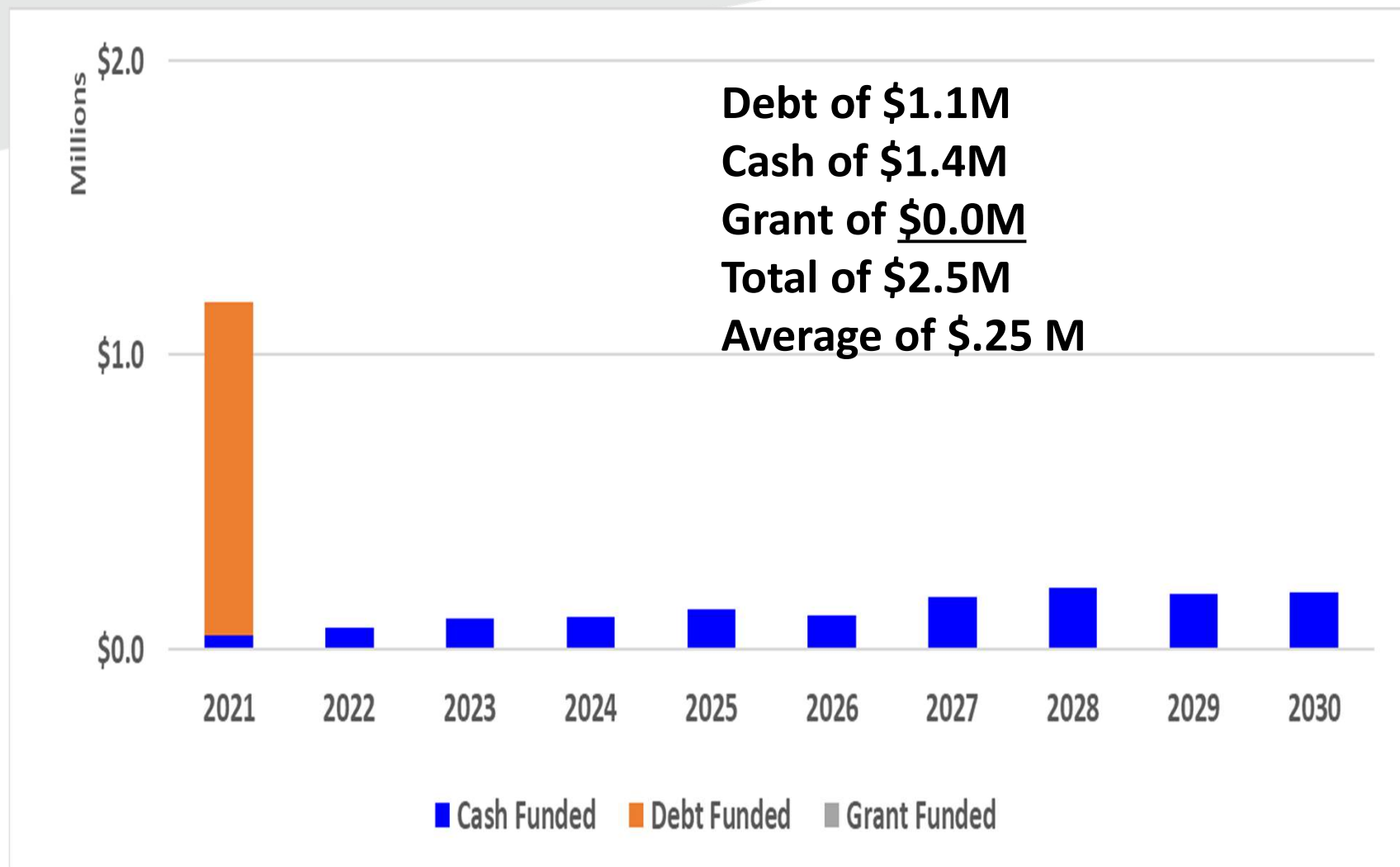
(1) Bi-monthly residential customer bill using 10,000 gallons with a 5/8-inch meter.

# Wastewater Fund Financial Plan and Rates





# Wastewater Fund Capital Projects (Inflated \$) (1)



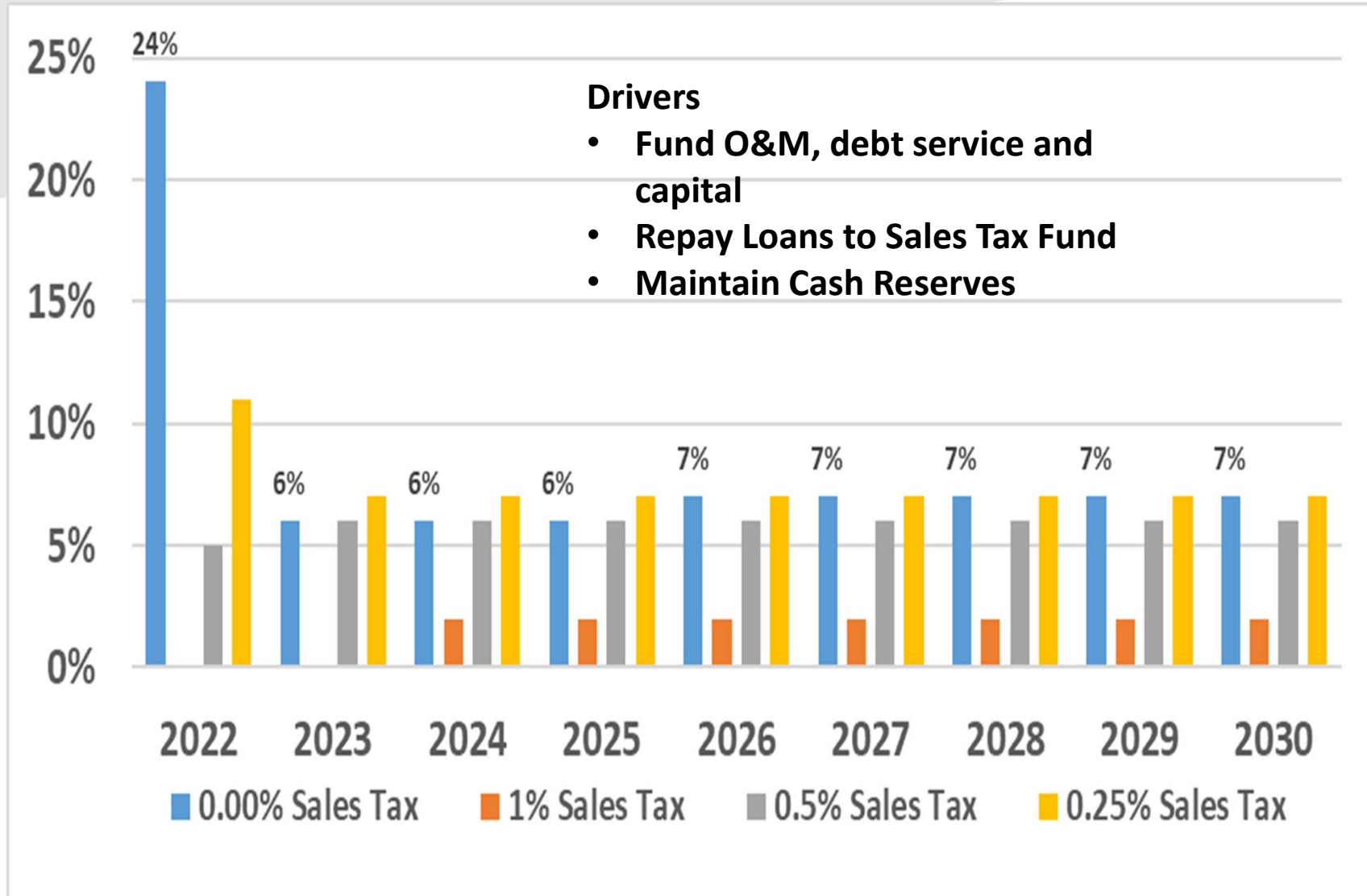
(1) Part of the \$3.0M WWTP Project #2 loan already approved.

# Wastewater CIP Major Projects (Inflated)

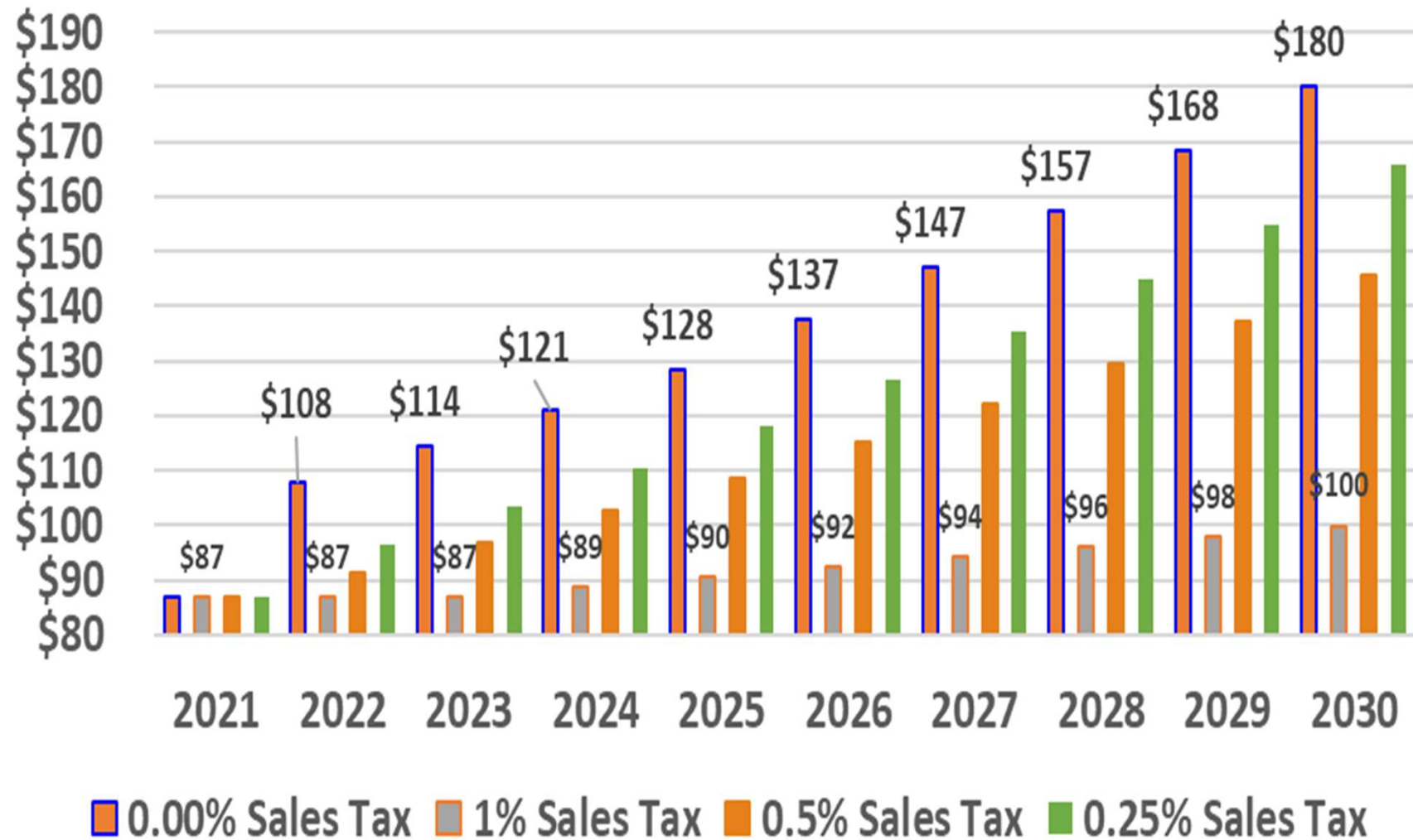
- WWTP Expansion #2
  - › \$1.1M to complete project (2021)
- Wastewater line repairs
  - › \$1.0M (2021 – 2030)



# Wastewater Rate Revenue Increases

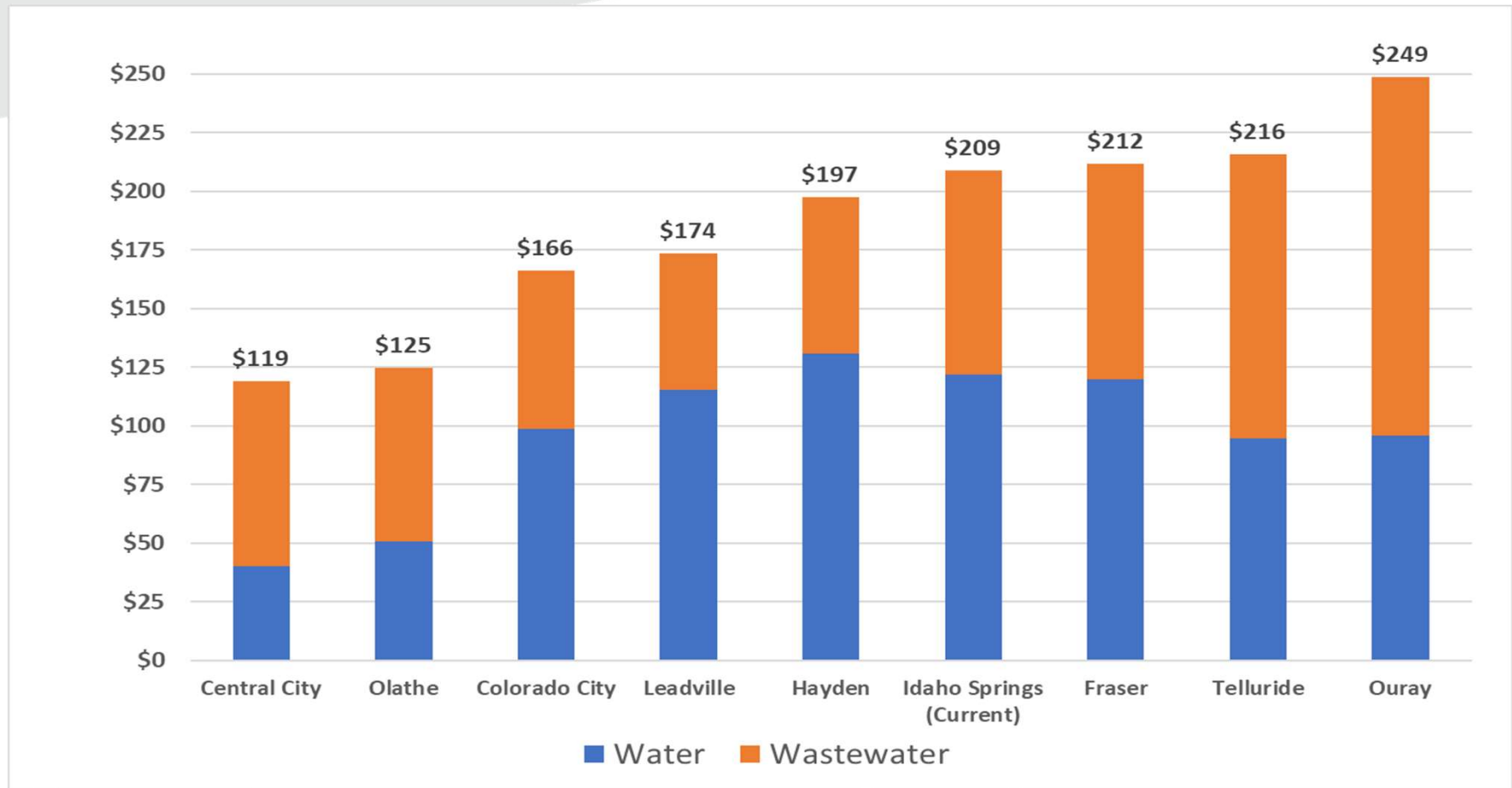


# Wastewater Bills Compared (1)



(1) Bi-monthly residential customer bill using 6,000 gallons with a 5/8-inch meter

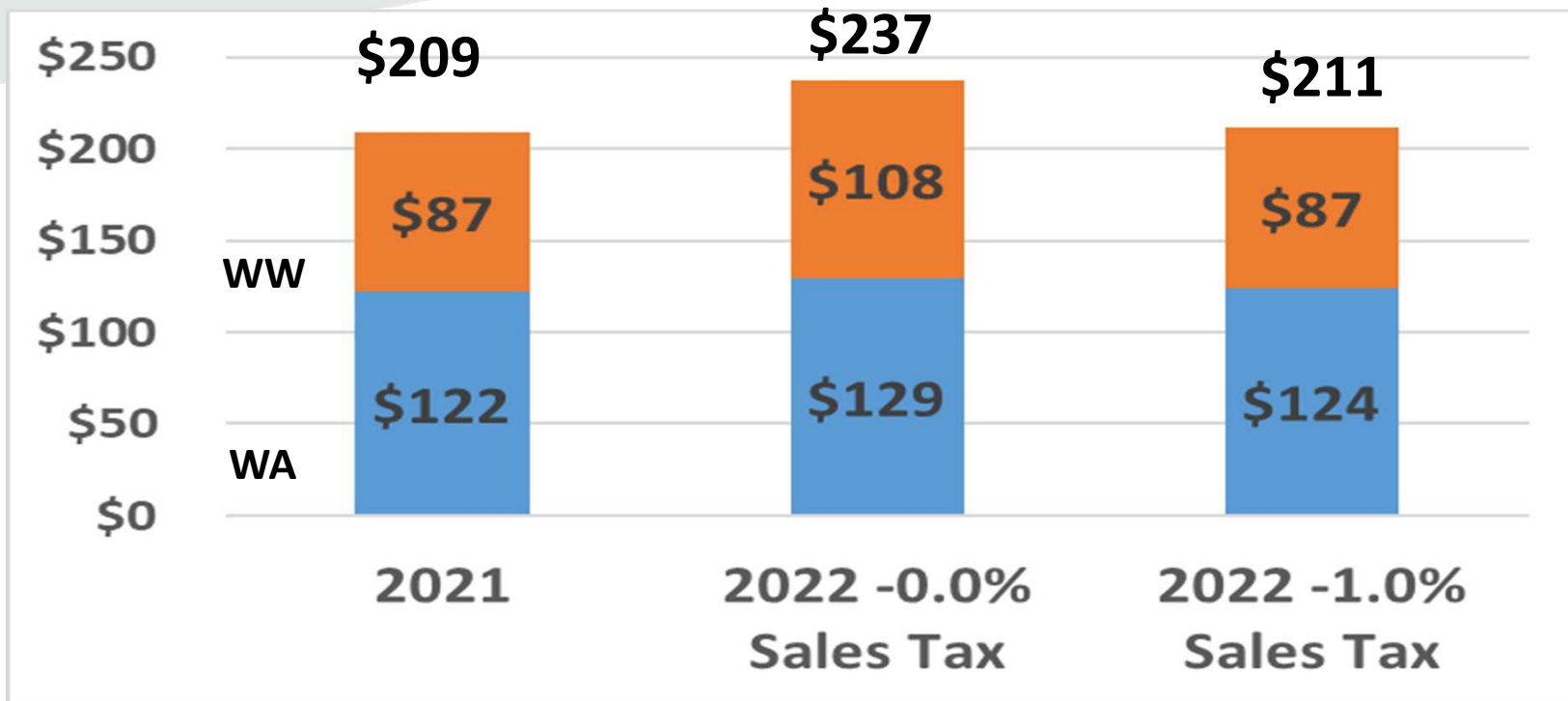
# Bi-Monthly Residential Water and Wastewater Bills (1) (2)



meter.

(2) Bi-monthly residential customer wastewater bill using 6,000 gallons with a 5/8-inch meter.

# Bi-Monthly Residential Water and Wastewater Bills Ranges Compared (1) (2)



(1) Bi-monthly residential customer water bill using 10,000 gallons with a 5/8-inch meter.

(2) Bi-monthly residential customer wastewater bill using 6,000 gallons with a 5/8-inch meter.



# Thank you!

Contacts:

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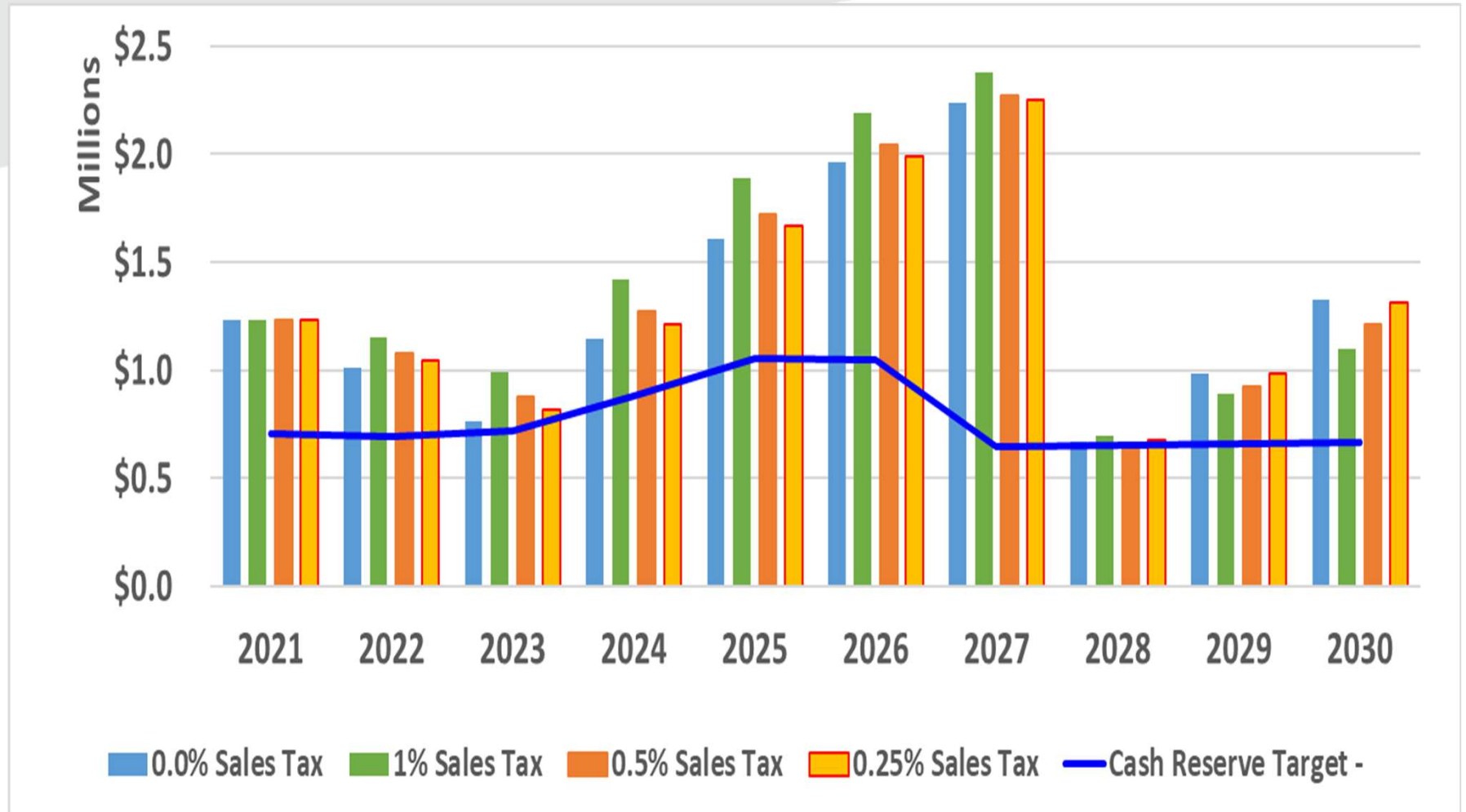


# Additional Slides



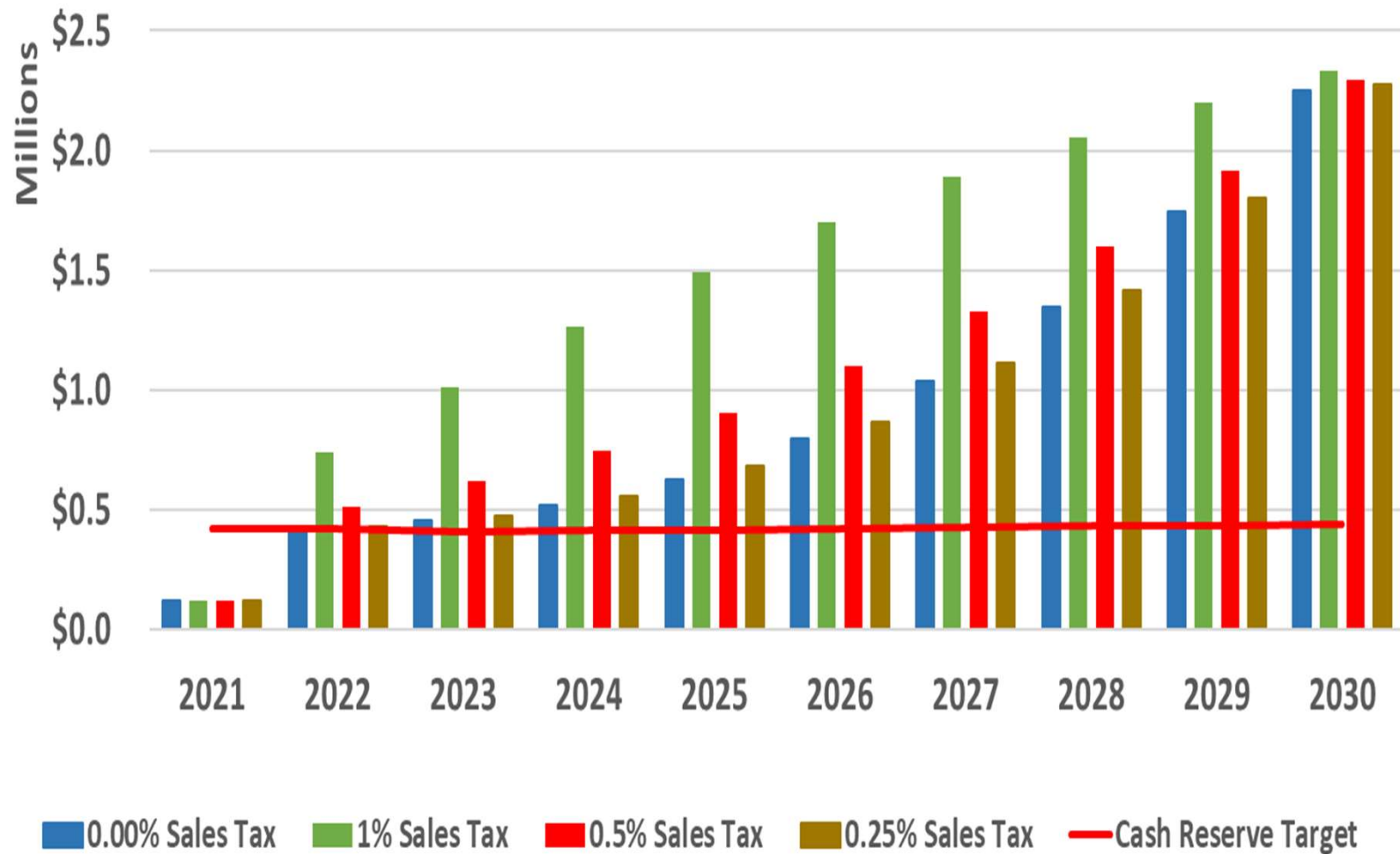


# Water Fund End-of-Year Cash



(1) 20% O&M, \$75,000 contingency PLUS next year's debt service.

# Wastewater Fund End-of-Year Cash (1) (2)



(1) 20% O&M, \$50,000 contingency PLUS next year's debt service.